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MCI WORLDCOM

Bradley C. Stillman
Senior Policy Counsel
Strategic Advocacy

1801 Pennsylvania Avenue, NW
Washington, DC 20006
202 887 3340
Fax 202 887 3116

November 10, 2000

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

CC Docket No. 96-98; 99-68

Dear Ms. Salas:

On Thursday November 9, 2000, Dave Porter, Gary Ball and I of WorldCom, met with Dorothy Attwood, Chief of the Common Carrier Bureau along with Glenn Reynolds, Jack Zinman, Jane Jackson and Tamara Preiss regarding the above referenced matter.

The meeting focused on the current levels of reciprocal compensation rates received by WorldCom across the country as compared to rates initially negotiated with the incumbent local exchange carriers. WorldCom reiterated its position that compensation is appropriate and helps keep UNE switching rates at forward looking levels which helps encourage local competition. The recent recommended decision by a California ALJ was also discussed and distributed. The attached ex parte presentation was distributed.

In accordance with section 1.1206(b)(2) of the Commission's rules, 47 C.F.R. § 1.1206(b)(2), an original and one copy of this memorandum are being filed with your office.

Sincerely,

Bradley Stillman

cc: Dorothy Attwood
Glenn Reynolds
Jack Zinman
Jane Jackson
Tamara Preiss

Reciprocal Compensation Rate Levels by Region
Yesterday and Today
(November 2000)

Since the inception of the first Interconnection Agreements (ICAs) negotiated and arbitrated under the Telecommunications Act of 1996, there has been a dramatic reduction in the rate levels for reciprocal compensation. This reduction can be attributed largely to the rates being billed today under recently negotiated ICAs.

In WorldCom's experience, the most significant disparity in reciprocal compensation rates between the first set of ICAs (circa 1996-1997) and more recent ICAs (1999-2000) are evidenced in the agreements signed by two of WorldCom's three legacy CLECs, MFS and Brooks Fiber. During the initial round of negotiations and arbitrations, MFS and Brooks tended to reach agreement with the RBOCs on the reciprocal compensation rate levels, and arbitrated fewer issues in connection with their interconnection agreements. The result was that the MFS and Brooks agreements tended to have relatively higher reciprocal compensation rates, due to the fact that the RBOCs initially insisted upon such rates in the belief that the traffic imbalance would be in their favor. MCImetro, on the other hand, tended to arbitrate the reciprocal compensation rate levels, which resulted in the reciprocal compensation rate levels being established through the state TELRIC cost proceedings. As a result, a comparison of the MCImetro "arbitrated" reciprocal compensation rates with the MFS/Brooks "negotiated" rates tends to show the amount of excess revenues that the RBOCs believed they were going to extract from those firms that chose not to litigate rate levels during that time period. Today, for the most part, the reciprocal compensation rates for all three WorldCom local companies are set based on the current state agency-approved TELRIC rates established with the use of RBOC cost studies.

What follows is a comparison of the MFS/Brooks "negotiated" rate levels in the first set of ICAs (circa 1996-97) versus the agreements in place today through either new negotiations or section 252(i) opt-ins.

Ameritech Region

In the initial round of negotiations and arbitrations, Ameritech proposed reciprocal compensation rates per minute of use (mou) that subsequently were incorporated in the MFS ICAs. Those rates were \$.009 in Illinois and Ohio and \$.015 in Michigan. The Brooks ICA contained reciprocal compensation rate levels of \$.015 for both Michigan and Ohio. In contrast to the rate levels that Ameritech "negotiated," the TELRIC rates in place today are approximately as follows:

Illinois	\$.00375
Michigan	\$.00236*
Ohio	\$.003815 (\$.00475 combined tandem and end office)
Indiana	\$.003
Wisconsin	\$.004

*Ameritech Michigan recently reduced its TELRIC end office switching rate from \$.002357 to \$.00104 per mou.

Verizon-North Region (Legacy NYNEX)

The initial ICA between MFS and NYNEX contained a "negotiated" rate of $.008 for Massachusetts and New York. Both agreements included a formula based on time of day TELRIC rates and tandem versus end office terminated traffic. The initial rate was based on application of this formula. The formula and TELRIC rates also were incorporated into the NYNEX Interconnection tariff, which NYNEX updated with new TELRIC cost studies. The reciprocal compensation provisions of the MCImetro ICA were tied directly to the NYNEX Interconnection tariffs.

Today, both the MFS and MCImetro reciprocal compensation rate is the TELRIC rate contained in Verizon's Interconnection tariff. In New York, the "blended" reciprocal compensation rate is approximately $.007 for tandem interconnection and approximately $.0035 for end office interconnection. In Massachusetts, the blended TELRIC rate is approximately $.015. This relatively high TELRIC rate is due in large part to the relatively high UNE Local Switching rate filed by Verizon and approved by the Massachusetts DTE.

Verizon-South Region (Legacy Bell Atlantic)

In its initial ICA with MFS, Bell Atlantic "negotiated" a uniform reciprocal compensation rate of $.009 per mou across the region for Maryland, Pennsylvania, New Jersey, and D.C./Virginia (LATA 236). Today, the reciprocal compensation rates applicable to MFS and MCImetro are the TELRIC rates that are contained in the arbitrated MCImetro ICA, and/or the rates in the Verizon-South Interconnection tariff. The TELRIC rates in place today are approximately as follows:

Maryland	$.0033
Pennsylvania	$.00273*
New Jersey	$.00374
Virginia	$.00159

*Verizon of Pennsylvania recently reduced its UNE local switching rates, which may further lower the Pennsylvania reciprocal compensation rate contained in the Interconnection tariff.

BellSouth Region

In its initial ICA with MFS, BellSouth "negotiated" a reciprocal compensation rate of $.0087 for Georgia and $.009 for Florida. Similarly, BellSouth "negotiated" with Brooks a reciprocal compensation rate of $.010 for Mississippi and $.0175 for Tennessee. Today, all three WorldCom local companies are operating under the MCImetro ICA and billing the TELRIC reciprocal compensation rates contained in that agreement. Those rates are approximately as follows:

Georgia	$.002
Florida	$.002
Mississippi	$.002
North Carolina	$.002
Tennessee	$.005

Southwestern Bell Region

In its initial ICA with MFS, Southwestern Bell "negotiated" a reciprocal compensation rate of $.009 for Texas and Missouri. Southwestern Bell also "negotiated" with Brooks for a rate of $.012 for Oklahoma and Arkansas. For Missouri, Southwestern Bell "negotiated" with Brooks for a blended rate for Missouri of approximately $.0075. MCImetro's arbitrated TELRIC rate at the time was approximately $.0024 in Texas. Today, MFS and Brooks are billing the TELRIC rate of approximately $.002 in Missouri, and Brooks is billing the TELRIC rates in Oklahoma and Arkansas. In Texas, the PUC has recently established a TELRIC rate for reciprocal compensation with a call set-up and mou charge which results in an approximate "blended" rate of $.00143. The TELRIC rates are approximately as follows:

Texas	$.00143
Missouri	$.002
Oklahoma	$.00227
Arkansas	$.00459

Pacific Bell Region

In its initial ICA with MFS, Pacific Bell "negotiated" a reciprocal compensation rate for California of approximately $.0075. In the recent MFS arbitration, the California PSC established a call set-up and mou charge which results in an approximate blended rate of $.0021.

California	$.0021

US West (Qwest) Region

The reciprocal compensation rates in the US West region have been based on TELRIC since inception of the ICAs. However, subsequent US West TELRIC cost filings have reduced the rates to today's levels, which are approximately as follows:

Minnesota	$.0045
Colorado	$.0028
Arizona	$.0028
Washington	$.0054
Utah	$.0023